

Cost Culture Update

**2009 PDI - Army
27 May 2009**



Army Cost Culture Update



- ☒ Increased Leadership Commitment
- ☐ Establish Cost Management Process & Provide Guidance
- ☐ Costing In GFEBS
- ☐ Training & Career Development
- ☐ Designed Enterprise Cost Management Framework
- ☐ Cost Culture in Theater of Operations



Senior Leader Commitment

ODASA
Cost & Economics



DEPARTMENT OF THE ARMY
WASHINGTON, DC 20315-0001

15 JAN 2003

MEMORANDUM FOR THE DISTRIBUTION

SUBJECT: Institutional Adaptation and Army Transformation

1. The Army has made a deliberate effort, over time, to improve how it functions as an organization. Secretary White and General Shinault provided the intellectual framework for the 21st Century Army and initiated our transformation from a Cold War Army to a campaign quality expeditionary force, capable of meeting the needs of the combined commanders across the spectrum of conflict. Secretary Hersey and General Schoomster led the next phase, focusing on modularity and organizational change. We will continue our transformation by adapting our institutions to support an Army on a rotational cycle in an era of persistent conflict. We will not correct the hard-won changes of the past decade until this century.

2. There are three major elements to Institutional Adaptation. First, the Army will improve how we institute **REFORMS** by ensuring the model for institutional support of the **REFORMS** process. Second, the Army will adopt an enterprise approach, by developing an Army-wide strategic management system that incorporates a national management process supported by an **enterprise architecture**. Third, the Army will reform its requirements and its processes by establishing a more responsive and holistic requirements process and inculcating a cost culture that supports good stewardship. The confidence of these three efforts is **interdependent** and the effectiveness and efficiency of the Army and other our units to support the Army of the 21st Century enterprise will be realized.

3. The ability to manage as an enterprise is critical to restoring balance. The Army will establish the Army Enterprise (Asset Policy), with representation from the Secretary and Army Commanders, that needs routinely. The ACP will resolve strategic Army issues and recommend solutions to the Secretary of the Army. The ACP will support our functional alignment into new enterprises in accordance with Title 10, General Order No. 1, and Army Regulations (AR) 600-10-1 that will not impact current operations. The ACP-Quarter and the implementing instructions will be developed and published over the course of this year with a goal of ACP of March 2003 and PQO of August 2003.

4. Institutional Adaptation is the final and essential element of our transformation from a Cold War force to an agile, disciplined warrior that is dominant across the spectrum of 21st Century conflict. We need your full support.

General, United States Army
Chief of Staff

Pete Geren
Secretary of the Army

From: CDR SCORING PERSONAL FOR
TO: CDR, MFP-1, CDR, USFPA, CDR, ARCENT, CDR, NAVCENT, CDR, AFCEM, CDR,
SECDEF,
CDR, JOCEM,
CDR, JCRC, DEPT/CDR
Presence: PRIORITY
Personal: UNCLASSIFIED
Subject: FISCAL RESPONSIBILITY

PERSONAL FOR ALL COMMANDERS FROM GEN PETRAEUS

COMMANDERS,

AS OUR NATION AND ITS INSTITUTIONS COME TOGETHER TO SEE THE COUNTRY THROUGH A DESPERING GLOBAL ECONOMIC CRISIS, I BELIEVE IT FALLS TO ALL OF US TO DO OUR PART.

THROUGHOUT OUR HISTORY (INCLUDING FREEDOM AND FAITH FREEDOM), THE ADMINISTRATION AND CONGRESS HAVE SHOWN CONSISTENTLY STRONG SUPPORT FOR U.S. CENTRAL COMMAND'S RESOURCE REQUIREMENTS. WE HAVE, IN TURN, WORKED PARTICULARLY HARD TO DEMONSTRATE OUR GOOD STEWARDSHIP OF THE RESOURCES PROVIDED.

HOWEVER, WE MUST EACH REDOUBT OUR EFFORTS IN THAT REGARD. WE MUST BRING THE AUTHORITY AND FUNDING MADE AVAILABLE TO US AND UNDERSTAND OUR FIDUCIARY RESPONSIBILITY TO MEET OUR HIGHEST PRIORITIES AND MEET THE PURPOSES FOR WHICH THEY WERE ISSUED.

WHEN NEW REQUIREMENTS COME TO THE FORE, I URGE YOU TO EMPLOY YOUR FISCAL, LEGAL, AND CONTRACTING EXPERTISE EARLY IN DEVELOPING OR RECONSTRUCTING PROPER AND RESPONSIVE RESOURCE SOLUTIONS. FOR THE ASSETS YOU ALREADY CONTROL OR WILL RECEIVE, PLEASE CONSIDER TO LEADERS AT ALL LEVELS THE IMPORTANCE OF GOOD MANAGEMENT CONTROLS, SOUND ACQUISITION STRATEGIES, AND THE ABILITY TO MEASURE EFFECTIVE PERFORMANCE DURING EXECUTION.

APPLAUD YOUR PAST EFFORTS AND ASK YOU TO CONVEY THROUGHOUT YOUR CHAIN OF COMMAND THE NEED FOR COMMON SENSE AND CONSCIENTIOUS STEWARDSHIP OF RESOURCES AS WE UNDERTAKE THE CHALLENGING TASKS AHEAD.

SINCERELY,

GEN PETRAEUS

**"Redouble efforts of
good stewardship of
resources"**

**GEN George W. Casey,
Jr.,
HON Pete Geren, SA
ALL ARMY**

**GEN David Petraeus
CENTCOM
COMMANDERS**



15 JAN 2003

DEFENSE ACQUISITION
PENTAGON, WASHINGTON, DC 20315-0001
MOS 10-0000-00

20 NOVEMBER 2002

MEMORANDUM FOR Commanders, Multi-National Force - Iraq

SUBJECT: Multi-National Force - Iraq Fiscal Outlook

1. We have made significant progress in our campaign for a secure, stable, and prosperous Iraq. As we build upon these hard-won gains, we must recognize that our operational environment is changing. With increasing economic and political uncertainty, the Government of Iraq (GOI) is better able to cross the line and provide for its people. At the same time, the current global economic situation and competing demands for U.S. national resources may potentially impact our warzone funding levels.

2. In this period of transition and uncertainty, fiscal responsibility becomes increasingly important. We must scrutinize all expenditures to verify that we are effectively utilizing our resources to meet our operational requirements and to ensure the health and safety of our service members. We must differentiate between operational needs and wants, making the best use of every dollar spent on both mission and force support requirements.

3. As we reduce our footprint and transfer focus to Iraq control, adapt the philosophy of "reduce and share," and always seek the most efficient use of our remaining resources and equipment. Regularly, as service contracts come up for renewal, conduct a thorough review of each program to ensure that it meets our changing mission requirements.

4. Just as we are consolidating security responsibility to our Iraqi partners, we must seek to consolidate fiscal responsibility to them as well. As we do this, we must be prepared to provide the **operational and financial support** to our Iraqi partners to ensure they can meet their important Coalition-led programs.

5. While our mission remains unchanged, we must be ready to adjust the way we accomplish the mission. I am confident in your ability to effectively operate in this ever-changing environment, and I know that through vigorous fiscal responsibility we will be able to meet our objectives and assist our Iraqi partners in building a stable and prosperous future for Iraq.

RAYMOND O. ODIERNO
General, U.S.A.
Commander

"shrink and share;"

**GEN Raymond Odierno
COMMANDERS, MNF-I**



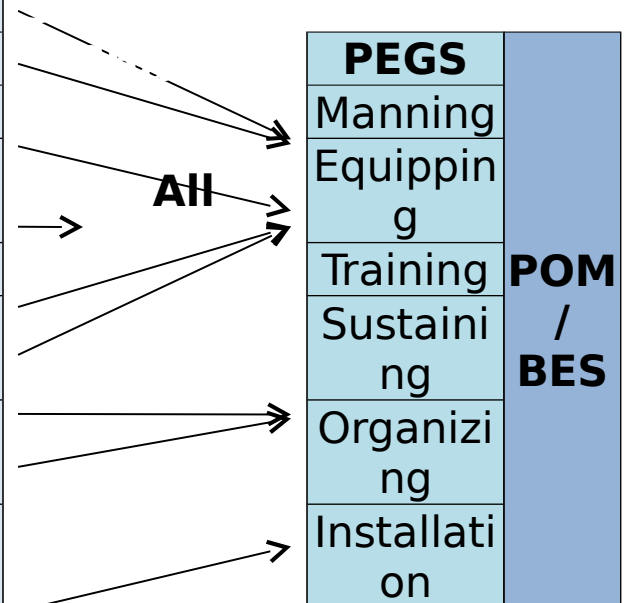
Incorporating 'Cost' Into DOTMLPF

ODASA
Cost & Economics

Doctrines
Organizations
Training
Material
Leadership
Personnel
Facilities

Thinking Domains	DOTMLPF						Decision Forums
Generate Capability Gaps / Requirements	QDR/TAA						CSA
	Force Design Update						FD
	Basis of Issue Plan						ORDAB
	AOA Studies						SAG/Other
	JCIDS/AROC						AROC
	Acquisition Process						Milestone Reviews
	ONS/JUONS						AR2B
	Strategic Initiatives						AEB
	Installation/MILCON						MILCON IPT
	Leadership						Ad Hoc

1. Business Case Analysis
2. Forum/ Decision Point

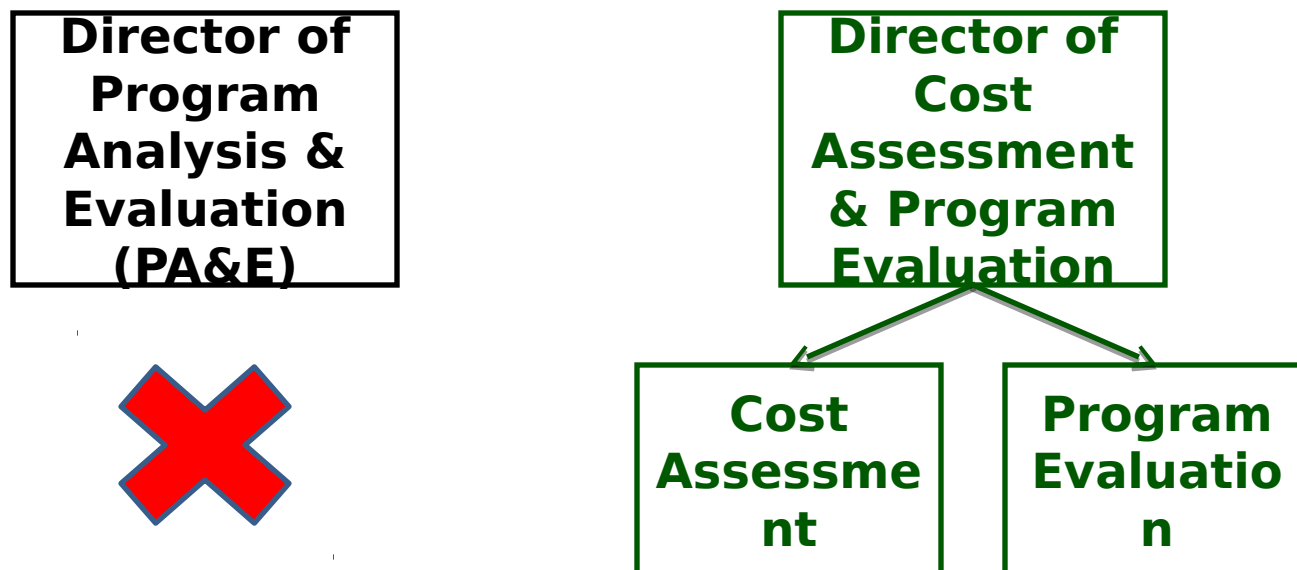




Congressional / OSD Commitment *Acquisition Reform Act*

**ODASA
Cost &
Economics**

- **New OSD Director of Cost Assessment & Program Evaluation**



- **Trade-Offs Among Cost, Schedule, & Performance Objectives**
- **Authority to Challenge Acquisition / PPBES / Requirements**
- **Reports to Congress 10 Days After Budget**



Army Cost Culture Update

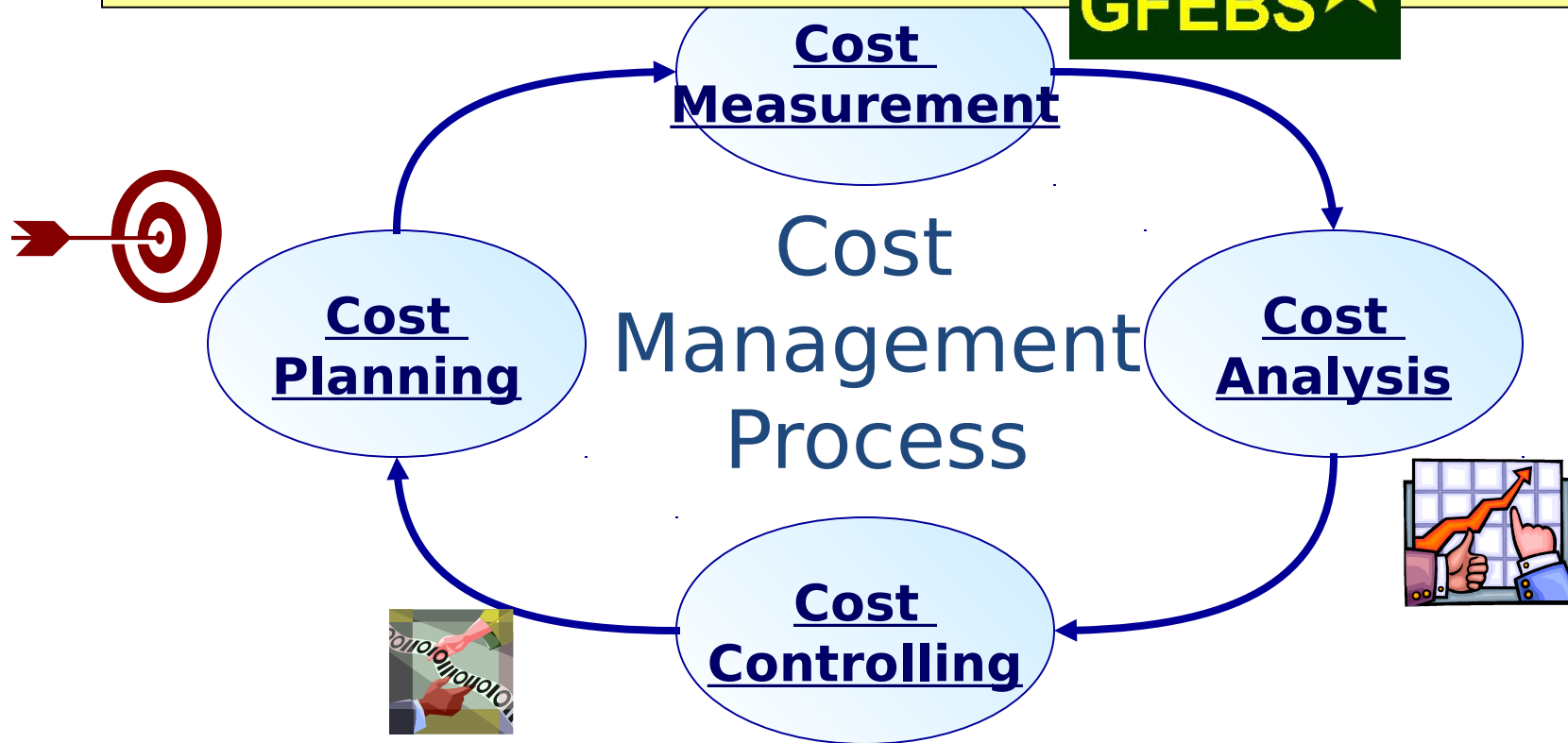


- ☐ Increased Leadership Commitment
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- ☐ Costing In GFEBS
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- ☐ Designed Enterprise Cost Management Framework
- ☐ Cost Culture in Theater of Operations

Cost Management Process

Cost Management - Managing Business Operations *Effectively & Efficiently* Through the Accurate Measurement & Thorough *Understanding of the "Full Cost"* of an Organization's Business Processes, Products & Services in Order to Provide the *Best Value* to *Customers*.

GFEBS ★



Cost Management Handbook

DASA-CE Cost Management Handbook



Version 1.4
April 13, 2009

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Role of Cost Information in Decision Making	
Cost Defined	
Cost Allocation Basics	
Labor Tracking	
Standard Rates	
Cost Object Standards and Principles	
Other Information	

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1.2	POLICY	
1.3	INTRODUCTION	
1.4	COSTS	
1.5	BENEFITS OF FULL COST	
1.6	FULL COST AND ABSORPTION COSTING	
1.7	RESPONSIBILITY SEGMENT COSTS	

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2.1	KEY PRINCIPLE	
2.2	OVERHEAD DEFINITION	
2.3	POLICY	
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CHAPTER 3

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4.5	ANALYSIS	
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Version 1.4

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REFERENCES

APPENDIX A. GLOSSARY

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Version 1.4

Apr

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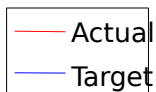
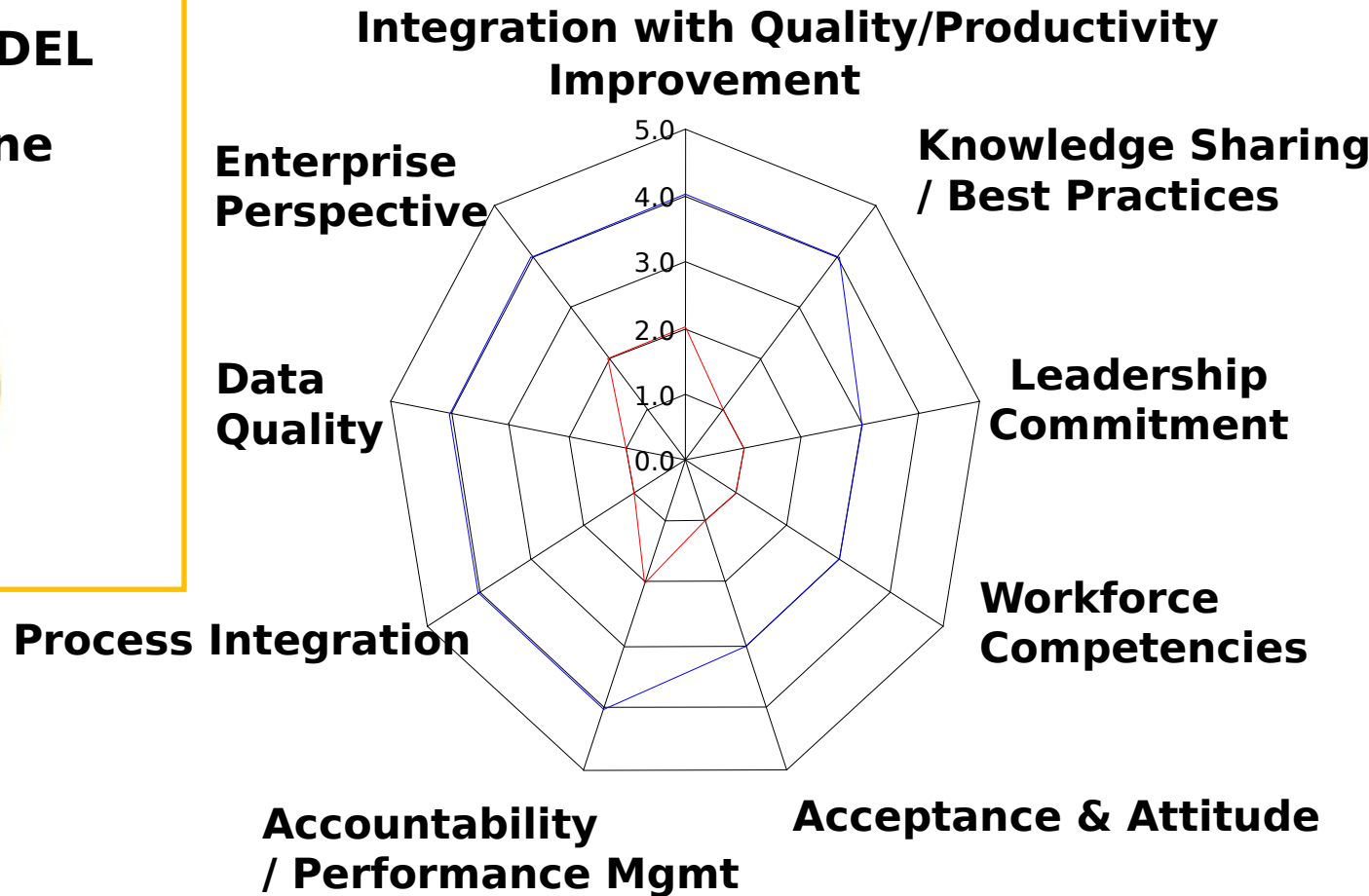
The Office of the Deputy Assistant Secretary of the Army (Cost & Economics) [DASA-CE] is the Army's proponent for cost policy.

Please refer to the Cost Management Community of Practice for the current version of the *Army Cost Management Handbook*.

Definition of Cost Management Success

ARMY COST MANAGEMENT MATURITY MODEL

Version 10: 4 June
2008





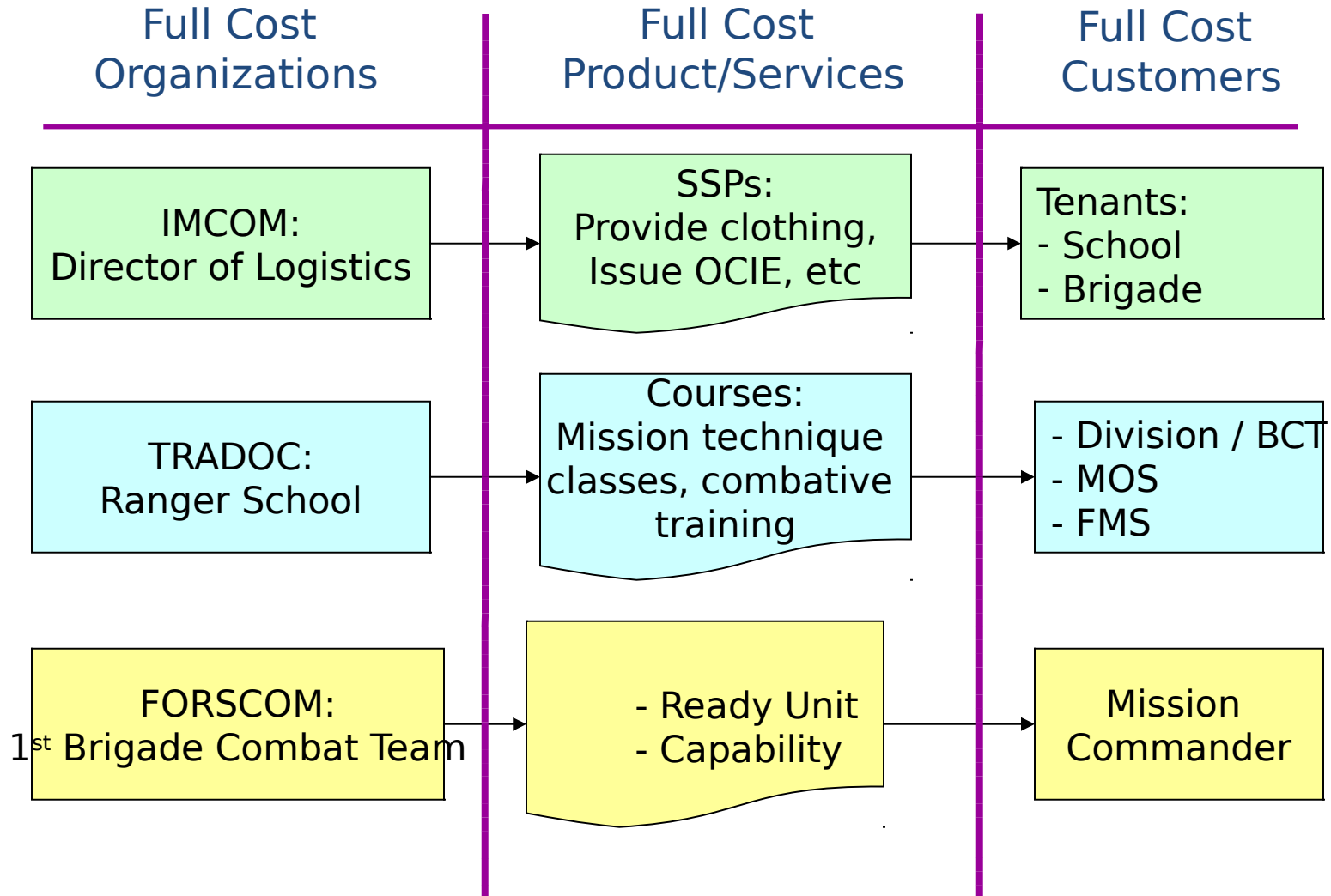
Army Cost Culture Update



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CR LBS Cost Structure Supports

Supports Operational Decision Making & Analysis



Capture Cost by Organization

		Actual Execution Year-to-Date by MDEP								
TRADOC Cost Centers - Fort Benning		TADV	TAPE	TATC	TFNC	TRCS	TSPU	VMUS	VTRD	Overall Result
ARMY/57660001	COMBAT DEV DIR								\$7,941	\$7,941
ARMY/57660002	HHC			\$862						\$862
ARMY/57660003	CH-BOLC			\$883						\$883
ARMY/57660004	C4/ADTS		\$1,855							\$1,855
ARMY/57660005	OFFICE OF THE CMDT	\$21,747			\$27,218		\$22,391			\$71,356
ARMY/57660006	FUNCTIONAL TNG BR	\$10,429					\$9,884			\$20,313
ARMY/57660007	RESERVE TNG						\$4,690			\$4,690
ARMY/57660008	RESOURCE MANAGEMENT	\$17,324			\$6,248		\$47,673			\$71,244

ARMY/57660009	INFORMATION M	FORSCOM - Brigade Cost by Period		Actuals	Actuals	Actuals
ARMY/57660010	TDD ADMIN			April 09	May 09	Summary
ARMY/57660011	QUALITY ASSUR	Cost Center		\$	\$	\$
ARMY/57660012	CHAPLAIN MUS	ARMY/76VWWAR9T0	3BCT 3/1 CAV	4,503.11	2,864.16	7,367.27
ARMY/57660013	AIT	ARMY/76VWWARXA0	3BCT 1/10 FA		69,902.00	69,902.00
Overall Result		ARMY/76VWWARXT0	3BCT 1/10 FA	12,158.21	11.64	12,169.85
		ARMY/76VWWGM6T0	3BCT 2/69 AR	52,455.02	28,670.32	81,125.34
		ARMY/76VWWJ D2A0	3BCT 203 BSB	19,554.72	11,298.08	30,852.80
		ARMY/76VWWJ D2C0	3BCT 203 BSB		1,276.00	1,276.00
		ARMY/76VWWJ D2D0	3BCT 203 BSB		2,304.75	2,304.75
		ARMY/76VWWJ D2T0	3BCT 203 BSB	102,807.33	36,187.85	138,995.18
		Overall Result			191,478.39	152,514.80

IMCOM Installations

TRADOC Schools

FORSCOM Brigades

- IMCOM Installations
- TRADOC Schools
- FORSCOM Brigades

Capture Cost by Product/Service and Customer

Service	SSP	USAG Fort Benning	SERO Jackson	USAG Fort Stewart	Overall Result
Facilities Mgmt	53A	\$66,068	\$67,036	\$113,434	\$246,538
	53B	\$53,650		\$38,521	\$92,171
	53C	\$154,008		\$1,474	\$155,481
	53D	\$13,858		\$229,009	\$242,866
	53E	\$3,538		\$19,770	\$23,307
Refuse Removal	53G		\$19,033	\$19,842	\$38,875
	60A	\$7,333			\$7,333
	60C		\$26,861	\$6,023	\$32,884
Env Compliance	66A	\$28,957	\$1,969	\$55,200	\$86,126
	66B	\$39,738		\$6,553	\$46,291

Cost of Installation Services Provided to Tenants

	Brigade Cost		Labor	Travel	Acrft POL	Purchase Card	Overall Result
	ARMY/76VV0034	3 BCT AUG	\$ 32,597				\$ 32,597
Overall Result	ARMY/76VVWAR0T0	3BCT 1/15 IN			\$ 21,286	\$ 7,339	\$ 28,625
	ARMY/76VVWAR4AA	3BCT 3/3 IN		\$ 33,913		\$ 28,940	\$ 62,853
	ARMY/76VVWAR9T0	3BCT 3/1 CAV			\$ 4,018	\$ 3,350	\$ 7,367
	ARMY/76VVWARXT0	3BCT 1/10 FA				\$ 12,158	\$ 12,158
	ARMY/76VVWGM6T0	3BCT 2/69 AR			\$ 51,945	\$ 29,121	\$ 81,066
	ARMY/76VVWJ D2A0	3BCT 203 BSB			\$ 25,317	\$ 5,372	\$ 30,689
	ARMY/76VVWJ D2T0	3BCT 203 BSB			\$ 108,497	\$ 30,116	\$ 138,613
	Overall Result		\$ 32,597	\$ 33,913	\$ 211,062	\$ 116,396	\$ 393,969

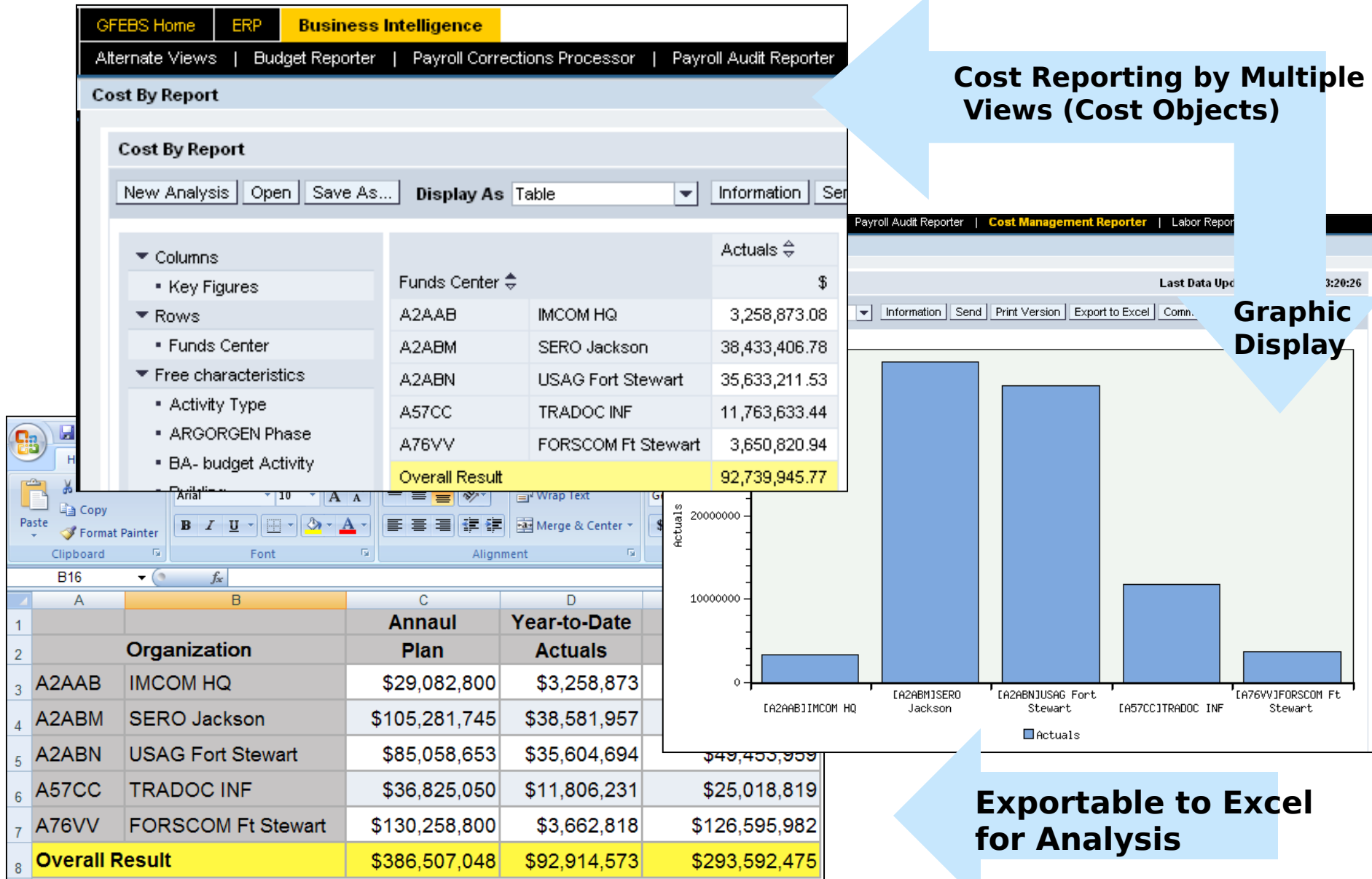
BCT Cost by Resources Consumed

Integrates Cost Measurement and A

Cost Reporting by Multiple Views (Cost Objects)

Graphic Display

Exportable to Excel for Analysis



Provides Multiple Analytical Cost Views

Funds Center	A2ABD	A2ABM	A2ABN	Overall Result
	USAG Fort Benning	SERO Jackson	USAG Fort Stewart	
	Actuals	Actuals	Actuals	Actuals
Product / Services	\$	\$	\$	\$
64A	16,753.06	512.20	50,551.68	67,816.94
64B			16,651.98	16,651.98
64C	54,520.40	9,986.89	65,883.70	130,390.99
64D	10,000.00		0,570.00	10,570.00

- Cost Comparison
- Benchmarking
- Forecasting

	Organization	Annual Plan	Year-to-Date Actuals	Variance Plan - Actuals
64X	A2AAB IMCOM HQ	\$29,082,800	\$3,258,873	\$25,823,927
66A	A2ABM SERO Jackson	\$105,281,745	\$38,581,957	\$66,699,788
66B	A2ABN USAG Fort Stewart	\$85,058,653	\$35,604,694	\$49,453,959

- Variance Analysis
- Controlling
- Cost Planning

		Actuals									
		Posting period	1	2	3	4	5	6	7	8	
			\$	\$	\$	\$	\$	\$	\$	\$	\$
Overall Result	ARMY/2ABM0006	DPTMS	13,858.20	61,993.22	45,398.17	47,797.50	19,441.38	52,092.03	15,868.59	23,002.72	
	ARMY/2ABM0038	PLANS	16,838.42	48,689.07	-23,017.88	3,443.60	-14,811.62	1,865.83	20,725.88	2,790.28	
	ARMY/2ABM0039	OPERATIONS	8,997.34	43,177.11	-42,121.24	-11,052.94	-56,756.07	-4,615.21	-3,075.84	16,456.84	
	ARMY/2ABM0041	RANGE OPS BR	20,202.84	105,552.54	-20,734.21	12,712.23	-12,208.49	-54,750.99	79,657.56	-9,293.49	
	ARMY/2ABM0042	RANGE SPT BR	12,327.93	36,191.72	-4,832.23	4,393.10	-1,390.40	-10,237.85	19,588.59	-1,137.40	
	ARMY/2ABM0044	SECURITY AND INTEL	-2,548.06	-10,251.89	-42,065.96	-23,464.34	-2,949.30	21,147.55	-17,125.55	-0.11	
	ARMY/2ABM0045	TASC	12,520.87	25,538.08	19,939.20	21,821.23	-3,716.46	7,711.44	11,602.97	-17.38	
	ARMY/2ABM0047	DEVICES SECTION	13,649.44	61,477.89	37,927.82	20,957.11	-9,165.38	-16,937.03	15,238.99	-1,951.13	
	ARMY/2ABM0131	TRAINING BRANCH	11,868.37	50,131.46	-30,175.45	-2,835.33	-27,335.54	-11,938.05	37,677.11	-488.58	
	ARMY/2ABM0134	SUPPORT SECTION	8,884.35	60,052.83	36,232.77	34,296.44	12,892.47	-42,389.58	12,593.61	-4,178.45	

- Trend Analysis
- Cash Flow
- Operational Cost Mgmt



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Training Opportunities

Cost Management 101	4 half days of instructor-led training in advance of GFEBS deployment
GFEBS - Cost Management Training These courses are either computer-based or instructor-led training classes to learn how to operate within the GFEBS cost module.	Cost Management Process Overview Cost Master Data Maintenance Cost Planning Cost Collection and Allocation Labor and Payroll Process Cost Collection and Allocation Controlling Close and Cost Reporting and Analysis
Cost Management Certificate Course The program of instruction (POI) is designed to teach the fundamentals of cost management with a view to developing a cadre of Army personnel who are professionally knowledgeable, analytically competent, and personally motivated to serve as proactive change agents within their respective Enterprise line and staff organizations.	Naval Postgraduate School - 4 Weeks Earns 12 credits toward masters degree. Requires command nomination and completion of prerequisites. Week 1 - Managerial Costing Week 2 - Operations Management Week 3 - Cost Control Week 4 - Organization Development
Self Study-Cost Management Community of Practice https://www.us.army.mil/suite/page/593701	This site contain the <i>Army Cost Management Handbook</i> and the Cost Management 101 training slides.
Cost Management Courses in all	DASA-CE is working with Army Civilian

Cost Management 101

- **Day 1: Cost Management Overview**
 - Understanding of why managing costs are important, Army's overall objectives, the process of Cost Management, how it differs from Budget, and key cost terms
- **Day 2: Cost Object Definition**
 - Understanding of an ERP, how to build a Cost Model, and the various cost objects within a Cost Model (e.g. organization, products, job orders, etc.)
- **Day 3: Assignment of Costs**
 - Understanding of cost allocations/assignments, how to chose which to utilize when, how to valueate the results of the assignments (Std. vs Actual), and rate creation
- **Day 4: Analysis and Reporting**
 - Understanding of the results of the Cost Model and how various types of analysis and decisions are supported

Training Designed for Pre-GFEBS Deployment for Resource and Operational Managers. Provides Common Understanding of Definitions, Concepts, Methodologies and Principles.

Cost Competency Matrix

Department of the Army Cost* Competency Development for Financial Managers (BC36/CP11)

Level

Steady-State

Initial Emphasis

Senior Leader

Cost Management Executive Course (CMEC)

Executive Education- 1 Day

- Review Cost Measurement Concepts
- Cost Management Cycle
- Using Cost/Benefit Analysis
- Leading a Cost-Managed Enterprise
 - Cost Command and Control
 - How LSS Fits In
 - Working with Your ACE

Cost Management and Control Theory

- Review Management Concepts
- Advanced Cost Allocation
- Inventory Costs
- Depreciation
- Transfer Pricing
- Working Capital Funds
- Cost Control Theory
 - Organization-based Control
 - Role-based Control
 - Output-based Control

Cost Management

- Review Basic Measurement Concepts and Analysis
- Variance (volume, performance, efficiency, spending)
- Learning Curve
- Cost of Quality
- Advanced data analysis techniques (spreadsheets, databases, business intelligence tools)
- Capacity Management
- Resource Utilization

Cost Measurement and Analysis

- | Cost Definitions | Cost Analysis Techniques | Cost Measurement/Allocation |
|-------------------------|--------------------------|-----------------------------|
| Fixed / Variable | Economic | Job Order Process |
| Direct/Indirect | Cost-Benefit | Activity |
| Recurring/Non-recurring | Analysis of Alternatives | Cost Allocation |
| Funded/Unfunded | Time Value | Direct Assignments |
| Others | | |

Army Cost Management Certificate Course (CMCC)

- Week 1 – Managerial Costing
- Week 2 – Operations Management
- Week 3 – Cost Control
- Week 4 – Organization Development

Four-week education course that teaches ACE candidates and others how to manage Army business operations efficiently and effectively through the accurate measurement and thorough understanding of the "Full Cost" of business processes, products, and services. Certificate holders will become part of a community of practice equipped to help decision makers provide the best value to customers and stakeholders; they earn 12 credits of graduate education.

Executive-level module in ASLDP and SES Keystone Course designed to move senior leaders (General Officers and SES) from the box where they don't know what they don't know, to the box where they know what they don't know. Leaders who are interested can take the Cost Management Executive Course.

Master-level analytical techniques applied to DA enterprise (Command) operations.

Participants may select a concentration area by selecting from a catalog of electives.

Advanced concepts reinforced with case studies focused on organizational level (Cost Center) operations.

Exercises using data from GFEBS to support improved decision-making.

Basic concepts introduced emphasizing real world application; examples become more sophisticated over time. For young soldiers and civilians the course would include personal cost management examples:
"If your outgo exceeds your income your upkeep will be your downfall." ~Bill Earle

The CMCC program of instruction (POI) is designed to teach the fundamentals of cost management with a view to developing a cadre of Army personnel who are professionally knowledgeable, analytically competent, and personally motivated to serve as proactive change agents within their respective Enterprise line and staff organizations.

We recommend that instructors of cost courses at all levels attend this course as preparation.

Cadre	Assistant to the Commander for Enterprise		Financial Management (BC36/CP11)	
	Military	Civilian	Military	Civilian
Senior Leader	-- Not Required --	-- Not Required --	Optional Cost Management Executive Course	Optional Cost Management Executive Course
Mid-Careerist			Early Senior Leader Training	Early Senior Leader Training
Early-Careerist			Early Master Level Training	Early Master Level Training
Entry-Level Careerist			Early Advanced Skills Training	Early Advanced Skills Training



* The Office of the Deputy Assistant Secretary of the Army (Cost & Economics) [DASA-CE] is the Army's proponent for cost policy.

Please refer to the Cost Management Community of Practice for the current version of the *Army Cost Management Handbook*: <https://www.us.army.mil/suite/page/593701>

Cost Competency Matrix

Department of the Army Cost* Competency Development for Financial Managers (BC36/CP11)

Level	Steady-State		Initial Emphasis		Cadre	Assistant to the Commander for Enterprise	Financial Management (BC36/CP11)						
Senior Leader	Cost Management Executive Course (CMEC) Executive Education- 1 Day <ul style="list-style-type: none">Review Cost Measurement ConceptsCost Management CycleUsing Cost/Benefit AnalysisLeading a Cost-M Enterprise<ul style="list-style-type: none">Cost Command aHow LSS Fits InWorking with You		Cost Measurement and Analysis <table><tr><th>Cost Definitions</th><th>Cost Analysis Techniques</th><th>Cost Measurement/Allocation</th></tr><tr><td><ul style="list-style-type: none">Fixed / VariableDirect/IndirectRecurring/Non-recurringFunded/UnfundedOthers</td><td><ul style="list-style-type: none">EconomicCost-BenefitAnalysis of AlternativesTime Value</td><td><ul style="list-style-type: none">Job Order ProcessActivityCost AllocationDirect Assignments</td></tr></table>		Cost Definitions	Cost Analysis Techniques	Cost Measurement/Allocation	<ul style="list-style-type: none">Fixed / VariableDirect/IndirectRecurring/Non-recurringFunded/UnfundedOthers	<ul style="list-style-type: none">EconomicCost-BenefitAnalysis of AlternativesTime Value	<ul style="list-style-type: none">Job Order ProcessActivityCost AllocationDirect Assignments			
Cost Definitions	Cost Analysis Techniques	Cost Measurement/Allocation											
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Master	Cost Management and Control Theory <ul style="list-style-type: none">Review Management ConceptsAdvanced Cost AllocationInventory CostsDepreciationTransfer PricingWorking Capital FundsCost Control Theory<ul style="list-style-type: none">Organization-based CRole-based ControlOutput-based Control												
Advanced	Cost Management <ul style="list-style-type: none">Review Basic Measurement Concepts and AnalysisVariance (volume, performance, efficiency, spending)Learning CurveCost of QualityAdvanced data analysis techniques (spreadsheets, databases, business intelligence tools)Capacity ManagementResource Utilization		operations. Exercises using data from GFEBS to support improved decision-making.		Early-Careerist		Early Ma Training						
Basic/Orientation	Cost Measurement and Analysis <table><tr><th>Cost Definitions</th><th>Cost Analysis Techniques</th><th>Cost Measurement/Allocation</th></tr><tr><td><ul style="list-style-type: none">Fixed / VariableDirect/IndirectRecurring/Non-recurringFunded/UnfundedOthers</td><td><ul style="list-style-type: none">EconomicCost-BenefitAnalysis of AlternativesTime Value</td><td><ul style="list-style-type: none">Job Order ProcessActivityCost AllocationDirect Assignments</td></tr></table>		Cost Definitions	Cost Analysis Techniques	Cost Measurement/Allocation	<ul style="list-style-type: none">Fixed / VariableDirect/IndirectRecurring/Non-recurringFunded/UnfundedOthers	<ul style="list-style-type: none">EconomicCost-BenefitAnalysis of AlternativesTime Value	<ul style="list-style-type: none">Job Order ProcessActivityCost AllocationDirect Assignments	Basic concepts introduced emphasizing real world application; examples become more sophisticated over time. For young soldiers and civilians the course would include personal cost management examples: "If your outgo exceeds your income your upkeep will be your downfall." ~Bill Earle		Entry-Level Careerist		Early Advanced Skills Training
Cost Definitions	Cost Analysis Techniques	Cost Measurement/Allocation											
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Advanced Cost Management, ACE and Instructors	Army Cost Management Certificate Course (CMCC) Week 1 – Managerial Costing Week 2 – Operations Management Week 3 – Cost Control Week 4 – Organization Development Four-week education course that teaches ACE candidates and others how to manage Army business operations efficiently and effectively through the accurate measurement and thorough understanding of the "Full Cost" of business processes, products, and services. Certificate holders will become part of a community of practice equipped to help decision makers provide the best value to customers and stakeholders; they earn 12 credits of graduate education.		The CMCC program of instruction (POI) is designed to teach the fundamentals of cost management with a view to developing a cadre of Army personnel who are professionally knowledgeable, analytically competent, and personally motivated to serve as proactive change agents within their respective Enterprise line and staff organizations. We recommend that instructors of cost courses at all levels attend this course as preparation.										



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V 1.3 Financial Managers

Cost Competency Matrix

Department of the Army Cost* Competency Development for Financial Managers (BC36/CP11)

Level

Steady-State

Initial Emphasis

Senior Leader

Cost Management Executive Course (CMEC)

Executive Education- 1 Day

- Review Cost Measurement Concepts
- Cost Management Cycle
- Using Cost/Benefit Analysis
- Leading a Cost-Managed Enterprise
 - Cost Command and Control
 - How LSS Fits In
 - Working with Your ACE

Executive-level module in ASLDP and SES Keystone Course designed to move senior leaders (General Officers and SES) from the box where they don't know what they don't know, to the box where they know what they don't know. Leaders who are interested can take the Cost Management Executive Course.

Master

Cost Management and Control Theory

- Review Management Concepts
- Advanced Cost Allocation
- Inventory Costs
- Depreciation
- Transfer Pricing
- Working Capital Funds
- Cost Control Theory
 - Organization-based Control
 - Role-based Control
 - Output-based Control

Master-level analytical techniques applied to DA enterprise (Command) operations.

Participants may select a concentration area by selecting from a catalog of electives.

Advanced

Cost Management

- Review Basic Measurement Concepts and Analysis
- Variance (volume, performance, efficiency, spending)
- Learning Curve
- Cost of Quality
- Advanced data analysis techniques (spreadsheets, databases, business intelligence tools)
- Capacity Management
- Resource Utilization

Advanced concepts reinforced with case studies focused on organizational level (Cost Center) operations.

Exercises using data from GFEBS to support improved decision-making.

Basic/Orientation

Cost Measurement and Analysis

- | Cost Definitions | Cost Analysis Techniques | Cost Measurement |
|---------------------------|--------------------------|------------------|
| • Fixed / Variable | • Economic | • Job Order P |
| • Direct/Indirect | • Cost-Benefit | • Activity |
| • Recurring/Non-recurring | • Analysis of | • Cost Allocat |
| • Funded/Unfunded | • Alternatives | • Direct Assign |
| • Others | • Time Value | |

Advanced Cost Management, ACE and Instructors

Army Cost Management Certificate Course (CMCC)

- Week 1 – Managerial Costing
- Week 2 – Operations Management
- Week 3 – Cost Control
- Week 4 – Organization Development

Four-week education course that teaches ACE candidates and to manage Army business operations efficiently and effectively accurate measurement and thorough understanding of the "Full business processes, products, and services. Certificate holder become part of a community of practice equipped to help decisions provide the best value to customers and stakeholders; they earn of graduate education.

Cadre	Assistant to the Commander for Enterprise		Financial Management (BC36/CP11)	
	Military	Civilian	Military	Civilian
Senior Leader	-- Not Required --	-- Not Required --	Optional Cost Management Executive Course	Optional Cost Management Executive Course
Mid-Careerist			Early Senior Leader Training	Early Senior Leader Training
Early-Careerist			Early Master Level Training	Early Master Level Training

Cost Management

- Review Basic Measurement Concepts and Analysis
- Variance (volume, performance, efficiency, spending)
- Learning Curve
- Cost of Quality
- Advanced data analysis techniques (spreadsheets, databases, business intelligence tools)
- Capacity Management
- Resource Utilization

Cost Controlling

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Cost Competency Matrix

Department of the Army Cost* Competency Development for Financial Managers (BC36/CP11)

Level

Steady-State

Initial Emphasis

Senior Leader	Cost Management Executive Course (CMEC) Executive Education- 1 Day	
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Master-level analytical techniques applied to DA enterprise (Command) operations.

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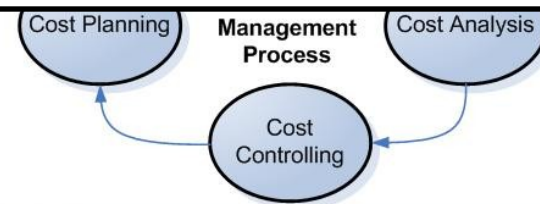
Advanced concepts reinforced with case studies focused on organizational level (Cost Center).

Cadre	Assistant to the Commander for Enterprise		Financial Management (BC36/CP11)	
	Military	Civilian	Military	Civilian
Senior Leader	-- Not Required --	-- Not Required --	Optional Cost Management Executive Course	Optional Cost Management Executive Course
Mid-Careerist			Early Senior Leader Training	Early Senior Leader Training
First Sergeant			Master Level	Master Level

Cost Management and Control Theory

- Review Management Concepts
- Advanced Cost Allocation
- Inventory Costs
- Depreciation
- Transfer Pricing
- Working Capital Funds

- #### Cost Control Theory
- Organization-based Control
 - Role-based Control
 - Output-based Control



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Master

Cost Management and Control Theory

- Review Management Concepts
- Advanced Cost Allocation
- Inventory Costs
- Depreciation
- Transfer Pricing
- Working Capital Funds

Cost Control Theory

- Organization-based Control
- Rule-based
- Output-based

Master-level analytical techniques applied to DA enterprise (Command) operations.

Advanced

Cost Management

- Review Basic Measurement Concepts and Analysis
- Variance (volume, performance, efficiency, spending)
- Learning Curve

- Cost of Quality
- Advanced (spreadsheet, business)
- Capacity Management
- Resource Utilization

Basic/Orientation

Cost Measurement and Analysis

Cost Definitions

- Fixed / Variable
- Direct/Indirect
- Recurring/Non-recurring
- Funded/Unfunded
- Others

Cost Analysis Techniques

- Economic
- Cost-Benefit
- Analysis of Alternatives
- Time Value

Cost Management Executive Course (CMEC)

Executive Education- 1 Day

- Review Cost Measurement Concepts
- Cost Management Cycle
- Using Cost/Benefit Analysis

- Leading a Cost-Managed Enterprise
 - Cost Command and Control
 - How LSS Fits In
 - Working with Your ACE

Advanced Cost Management, ACE and Instructors

Army Cost Management Certificate Course (CMCC)

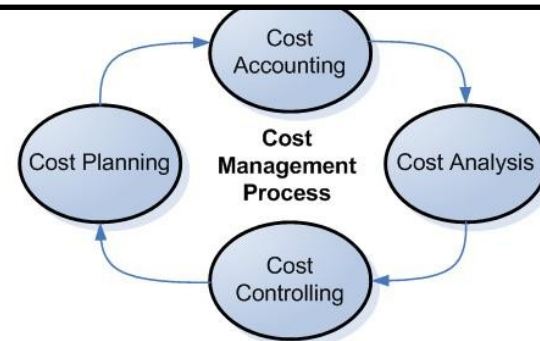
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Senior Leader	-- Not Required --	-- Not Required --	Optional Cost Management Executive Course	Optional Cost Management Executive Course
Mid-			Early Senior Leader Training	Early Senior Leader Training



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V 1.3 Financial Managers



Army Cost Culture Update



- ☐ Increased Leadership Commitment
- ☐ Establish Cost Management Process & Provide Guidance
- ☐ Costing In GFEBS
- ☐ Training & Career Development
- ☒ Designed Enterprise Cost Management Framework
- ☐ Cost Culture in Theater of Operations



Enterprise Governance

Secretary of the Army

Chief of Staff of the Army

Army Enterprise Board

HQDA
(Secretariat + ARSTAF)

 **CE** - Core Enterprise
 - Process Teams

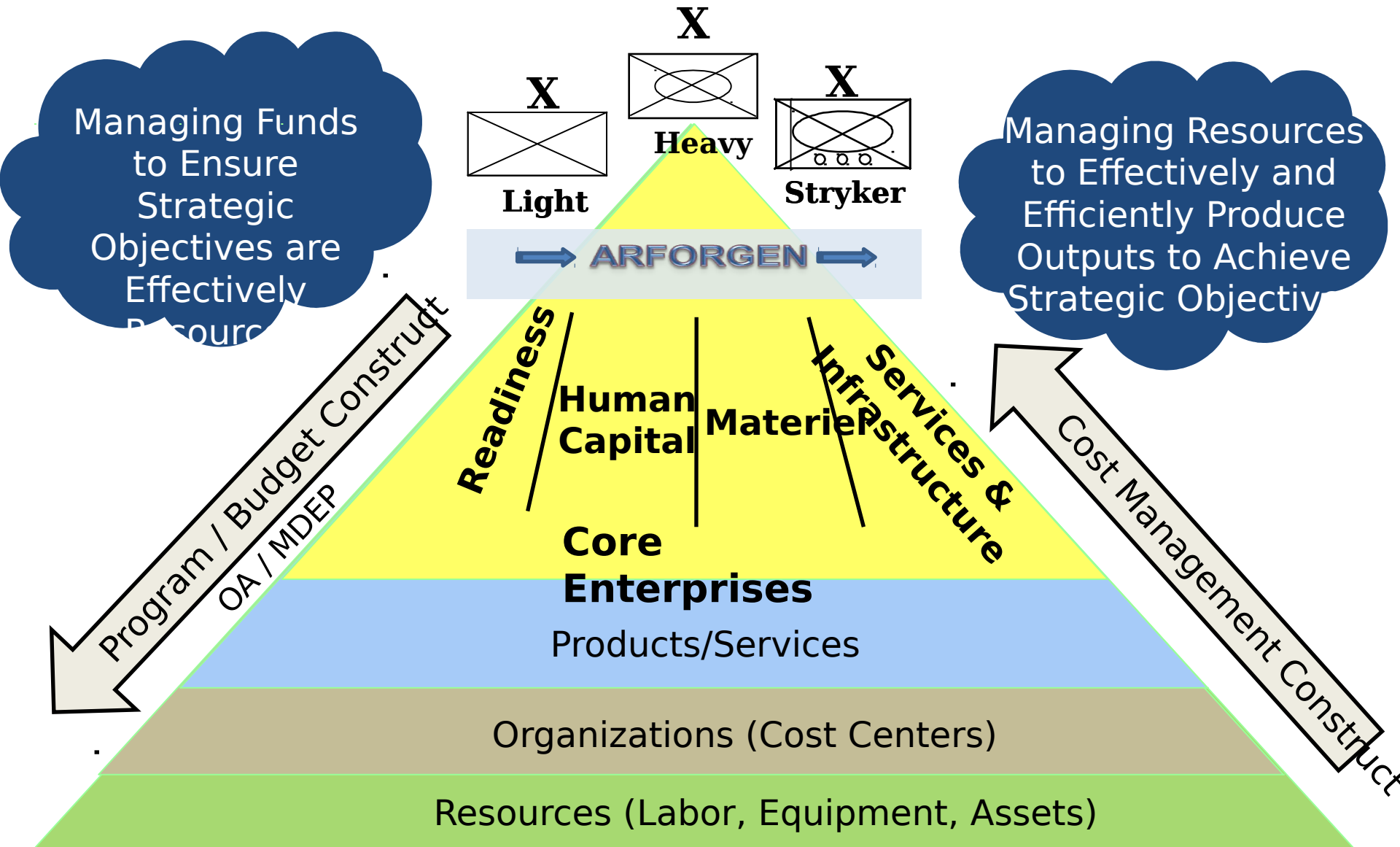


Trained and Ready
Forces for the
Combatant Commanders

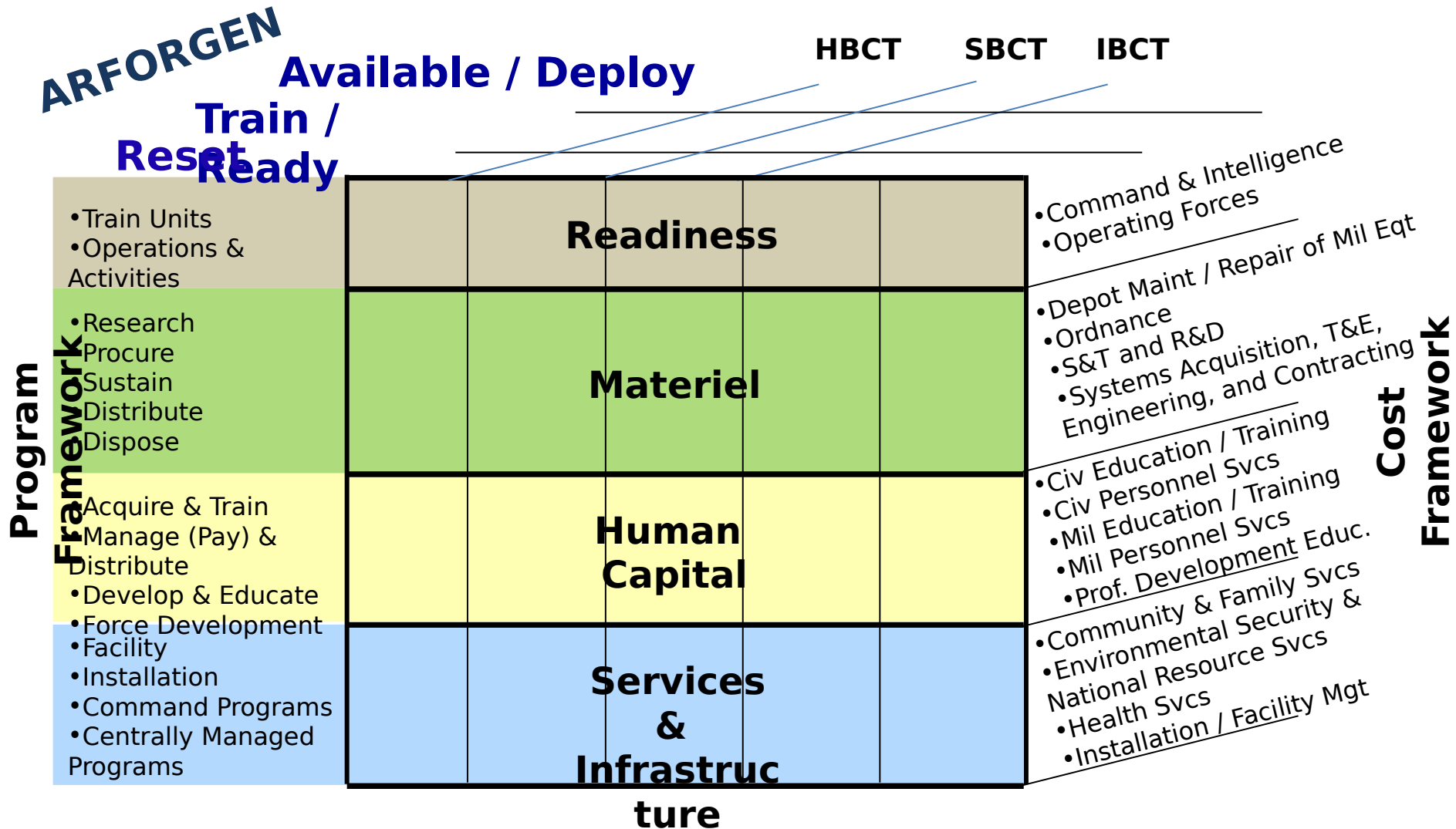
Objective: *Efficient Delivery of Outputs*

Improve ARFORGEN: *Effective and Efficient delivery of Trained and Ready Forces*

Enterprise Resource Management



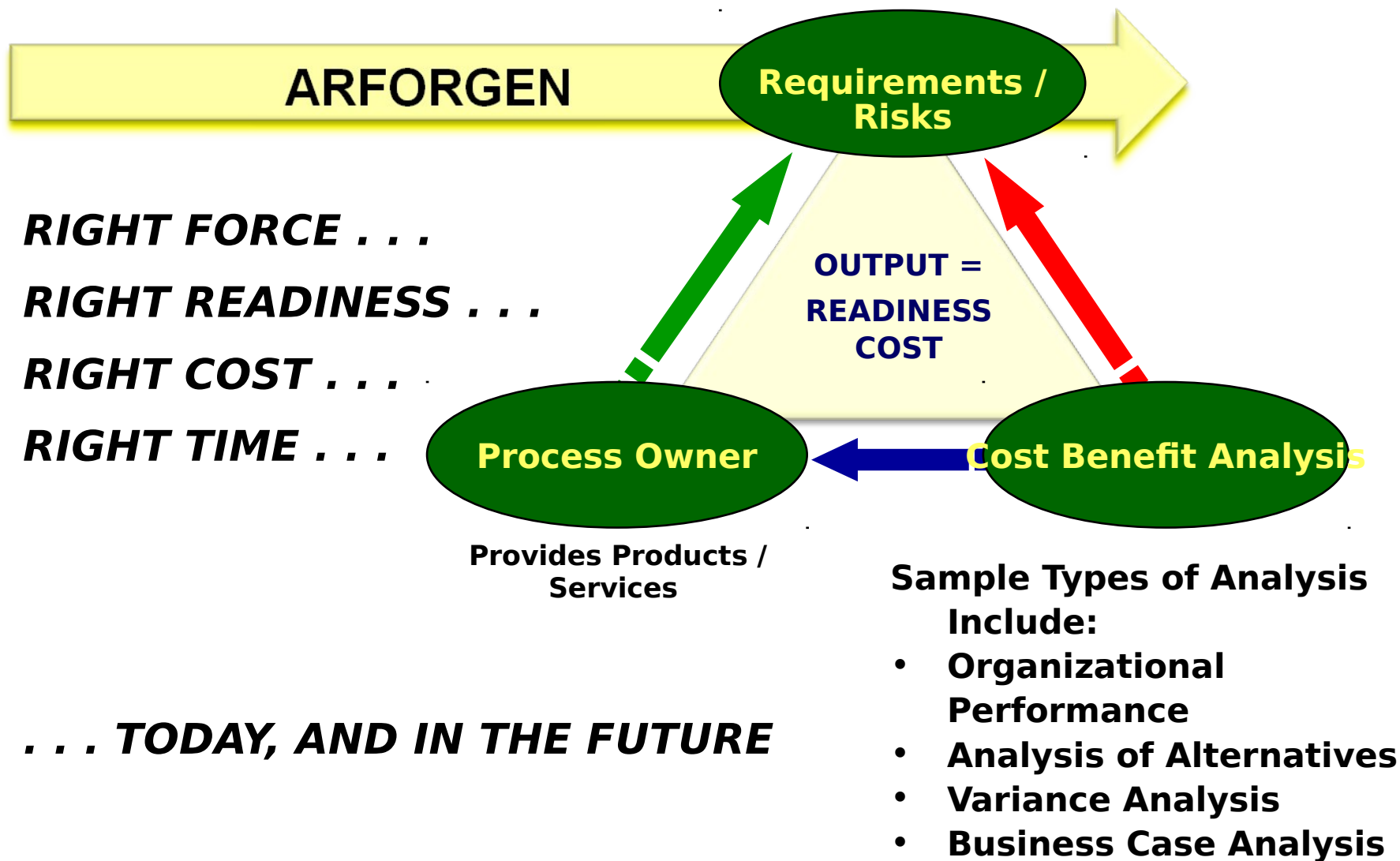
Army Cost Management Framework





Readiness Core Enterprise

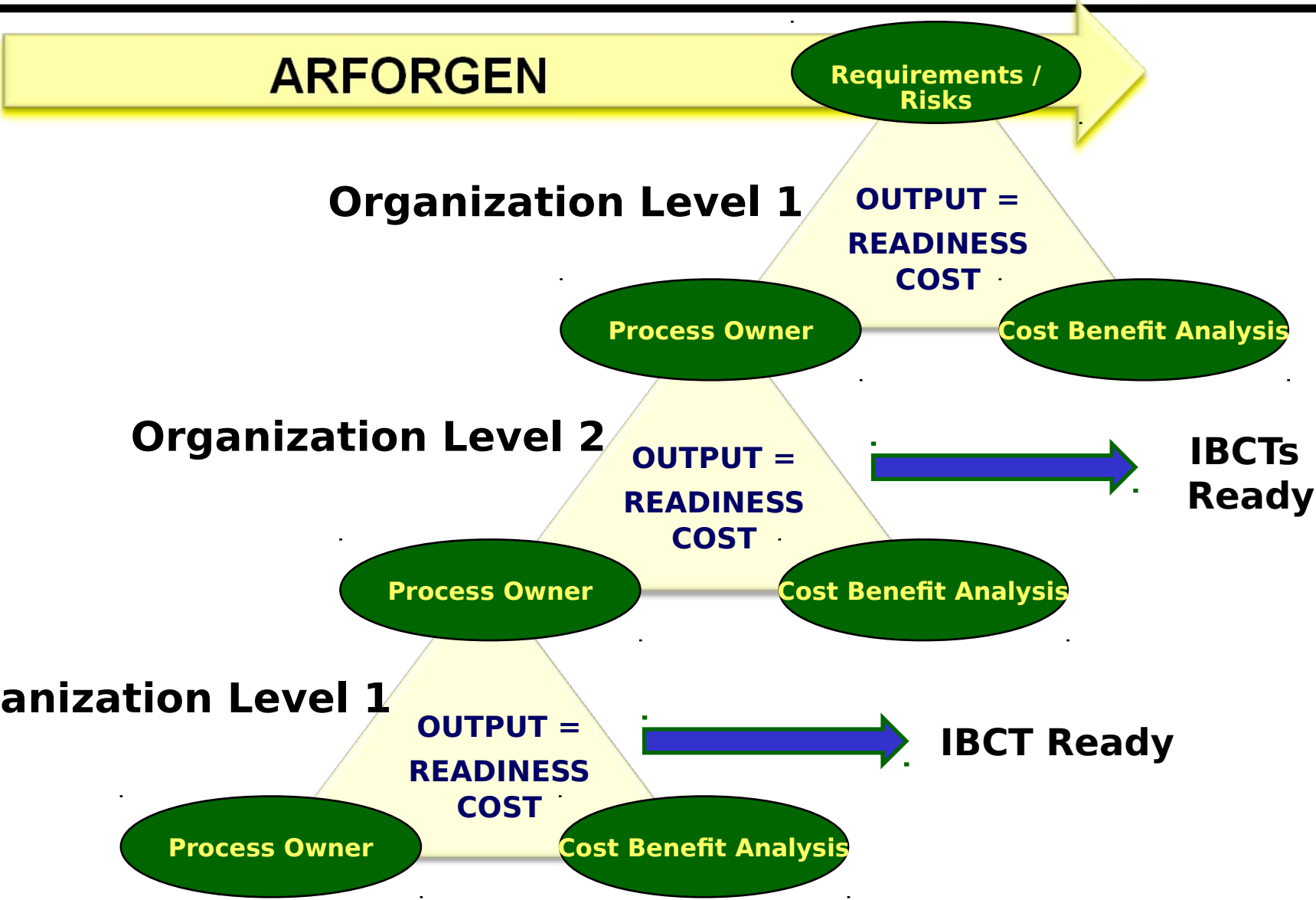
ODASA
Cost &
Economics





Readiness Core Enterprise Cascading Through Processes

ODASA
Cost &
Economics





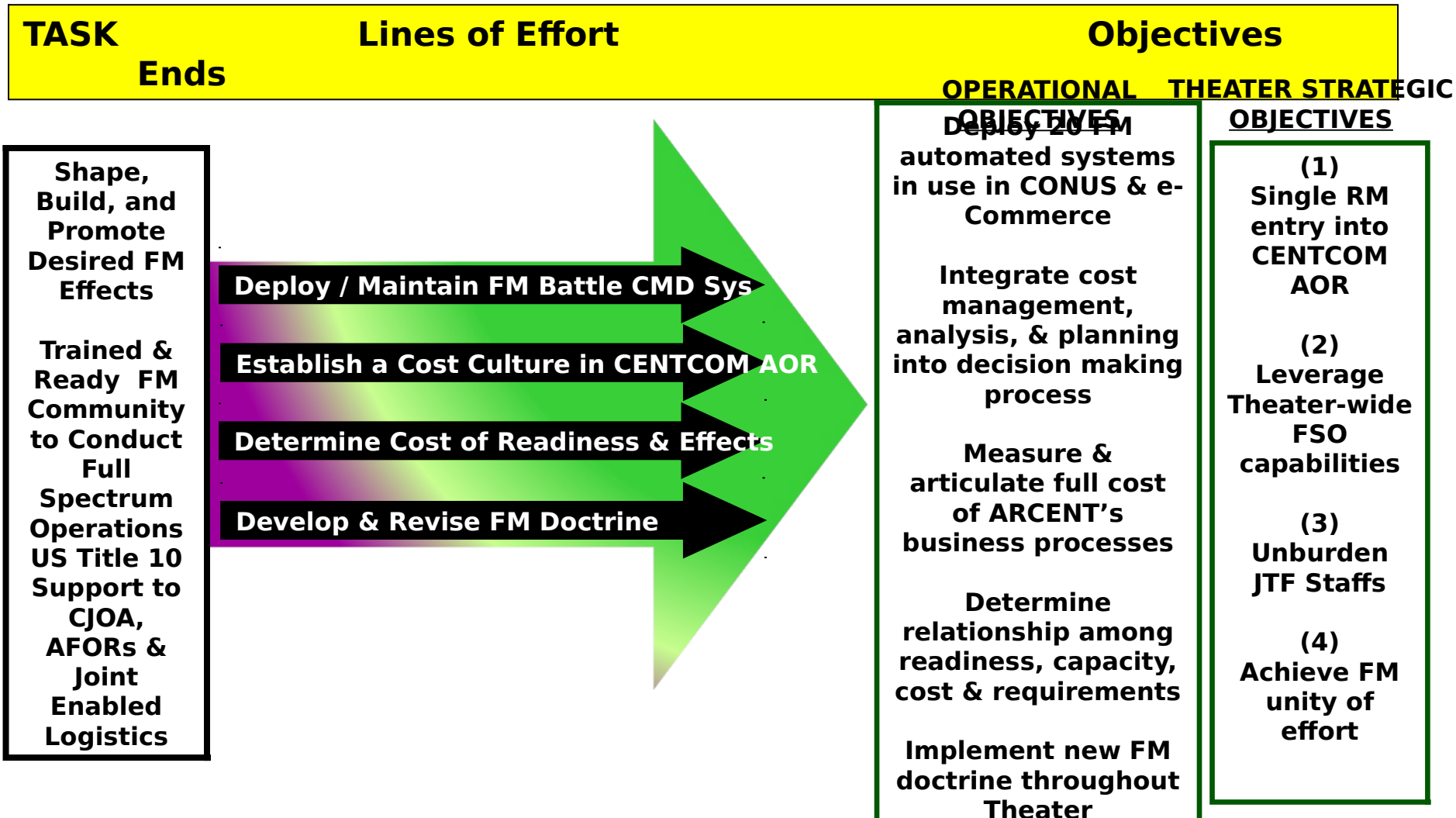
Army Cost Culture Update



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- ☒ Cost Culture in Theater of Operations

USARCENT G8 Theater FM Strategy

MISSION: USARCENT G8 Proactively Shapes Financial Environment While Simultaneously Providing Uninterrupted Support to the USCENTCOM AOR





Costers: Who We Are

Costers are chartered by the Deputy Assistant Secretary of the Army for Cost and Economics (DASA-CE) and ARCENT - C8 to provide cost analysis support and promote Cost Culture

Projects since October 2008

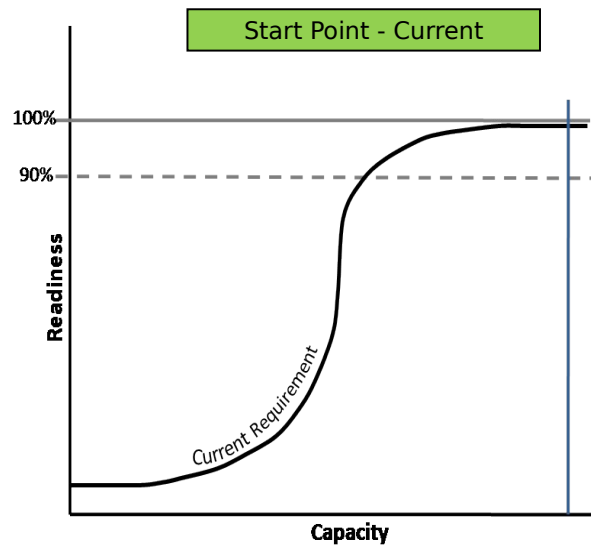
- Science Project - Modeling Requirements, Readiness, Capacity and Cost (R2C2)
- Cost of ARCENT and Cost of War
- Re-Balancing an Army at War
- Afghanistan Buildup
- FY 09-11 Budget Submission
- Contractors in Theater
- Afghanistan TPE and Forward Repair Activity
- ARCENT Retrograde of OIF Drawdown

CARB Cost Validation

Deployed OIF & OEF Direct Staff Support



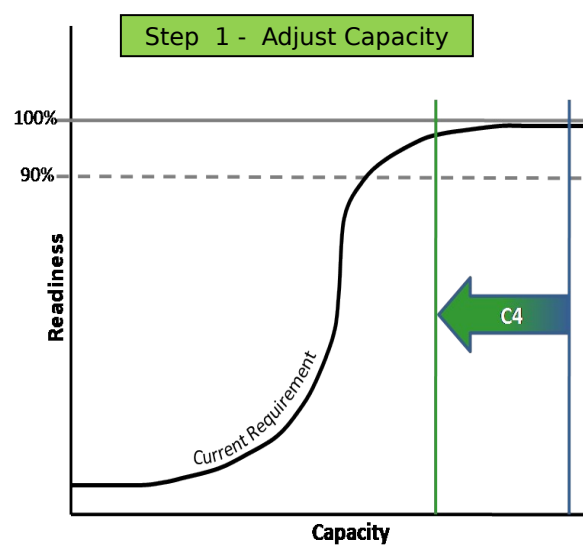
ing Requirements, Readiness, Capacity &



Description

Initial conditions in theater had readiness at 100% and excess capacity

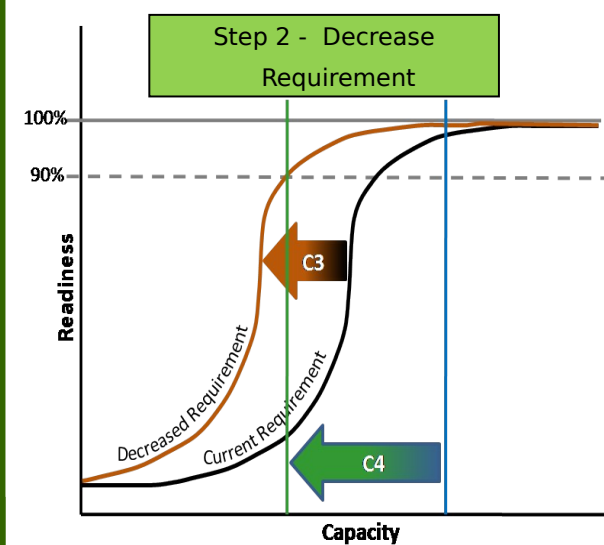
- Fixed - Operational Readiness
- Fixed - Operational Requirement
- Fixed - Industrial Capacity including excess



Description

The industrial capacity is reduced with little to no effect on readiness. This achieves balanced capacity with a cost avoidance.

- Fixed - Operational Readiness
- Fixed - Operational Requirement
- Adjust - Industrial Capacity to be optimized



Description

Decreased requirement and a shift of readiness from 100% to 90% provides additional capacity that can be reduced for a cost avoidance.

- Fixed - Operational Readiness
- Adjust - Operational Requirement
- Fixed - Industrial Capacity optimized

Cost Analysis Resources

- **GFEBS General Fund Enterprise Business System**
- **Automated Cost Estimating Integrated Tools (ACEIT)**
- **Operating & Support Management Information System (OSMIS)** <https://www.osmisweb.army.mil>
- **FORCES (CONOPS) Cost Models**
- **Army Military-Civilian Cost System (AMCOS)**
- **Automated Cost Data Base (ACDB)**
- **Joint Integrated Analysis Tool (JIAT)**
- **Capabilities Knowledge Base (CKB)**
- **FM&C Website**
- **AKO Cost Management COP**

<https://www.us.army.mil/suite/page/593701>

